

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 NEA-11 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 SAM-01 AID-20 COME-00

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 INT-08 FEA-02 SCI-06 EA-11 DRC-01

/225 W

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R 301516Z JAN 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 2595

INFO AMEMBASSY ACCRA

AMEMBASSY ADDIS ABABA

AMEMBASSY FREETOWN

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

OECD PARIS 3864

C O N F I D E N T I A L LAGOS 834

E.O. 11652: GDS

TAGS: ENRG, NI

SUBJ: ENERGY: NIGERIAN OIL SALE FLOUNDERS

REF: LAGOS 0216 NOTAL

1. SUMMARY. NIGERIANS STILL INSISTING ON \$22.60 PER BARREL
FOR ROYALTY CRUDE OIL, BUT SPOT BUYERS NOT WILLING SIGN
BINDING CONTRACTS FOR MORE THAN ABOUT \$17. SOME OBSERVERS
BELIEVE NIGERIANS MORE LIKELY MAKE NO SALE AT ALL THAN LOSE
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FACE BY NEGOTIATING PRICE DOWNWARD.

2. PRODUCING OIL COMPANIES SOUGHT CLARIFICATION EARLY THIS MONTH OF FMG'S ANNOUNCED INTENTION TO RECEIVE ROYALTIES IN KIND STARTING FEBRUARY 1. ALTHOUGH STILL UNCLEAR, IT APPEARED GOVERNMENT WANTED 170,000 BARRELS PER DAY FROM THE THREE LARGEST COMPANIES (SHELL-BP, GULF, AND MOBIL). NOMINATIONS ARE RUMORED TO HAVE BEEN MADE FOR A LIFTING OF 10,000 TONS (ABOUT 74,000 BARRELS) IN FEBRUARY.

3. ON JANUARY 10, JUST PRIOR TO THE ANTICIPATED JANUARY 12 SHOWDOWN WITH FOUR COMPANIES WHO INDICATED WILLINGNESS TO PAY \$22.60 PER BARREL (REFTEL), NIGERIAN NATIONAL OIL COMPANY (NNOC) SIGNED CONTRACT WITH GOVERNMENT OF GHANA. PHOTOGRAPHERS WERE PRESENT, BUT THE SIGNING HAS NEVER BEEN ANNOUNCED PUBLICLY. SINCE THEN, THE NNOC MARKETING MANAGER (UWAMU) HAS SHOWN INTERESTED COMPANIES THE GHANA CONTRACT AND INSISTED THE GHANAIS ARE PAYING FULL PRICE OF \$22.60. CONTRACT IS BELIEVED TO BE FOR 10,000 BARRELS PER DAY FOR TWO MONTHS.

4. CLEARLY REFLECTING RELAXATION OF SOFT OIL MARKET SINCE ITS CLIMAX DECEMBER 24, COMPANY BUYERS NO LONGER WILLING SIGN BINDING CONTRACTS FOR \$22.60 OR ANYTHING CLOSE, ALTHOUGH SOME ARE TRYING KEEP DOOR OPEN IF NIGERIANS EVER AGREE NEGOTIATE DOWNWARD. DESPITE ANOTHER ULTIMATUM ON JANUARY 26, ONE OF THE FOUR COMPANIES (COASTAL STATES) IS BELIEVED NOT TO HAVE RETURNED TO NIGERIA. MITSUBISHI PLEADED THAT GOJ FORBID JAPANESE COMPANY FROM PAYING PRICE AS HIGH AS \$22.60. ONE US COMPANY AGREED SIGN CONTRACT FOR \$22.60 FOR PUBLIC APPEARANCE IF QUIET REBATE OF ABOUT \$7.50 COULD BE ARRANGED. NNOC COUNTERED BY PROPOSING COMPANY PAY \$22.60 DURING FIRST QUARTER AND RECEIVE DISCOUNTS IN SUCCEEDING QUARTERS WHICH WOULD BRING AVERAGE PRICE DOWN TO \$20.00. THIS HAS NOT BEEN ACCEPTED.

5. COMMENT: NIGERIAN OBVIOUSLY MISSED RARE OPPORTUNITY IN LATE DECEMBER TO GET TOP DOLLAR (ABOUT \$20.00 PER BARREL) FOR ITS OIL IN FIRST QUARTER 1974. SLOPPY CONDUCT OF THE OIL SALE HAS EARNED NIGERIA TERRIBLE REPUTATION IN WORLD OIL INDUSTRY. THERE ARE MAJOR DIFFERENCES OF OPINION WITHIN FMG
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AND NNOC HOW SALE SHOULD HAVE BEEN CONDUCTED AND HOW GET OUT OF PRESENT IMPASSE. UWAMU IS THOUGHT TO HAVE BEEN CARRYING OUT POLICIES SET FOR HIM BY SUPERIORES, BUT HE NOW APPEARS TO BE HANGING IN WIND WITHOUT FURTHER NEGOTIATING AUTHORITY. SOME OBSERVERS BELIEVE POLICY-MAKERS WERE OVER-SOLD ON IDEA OF GOING FOR LAST DROP OF BLOOD AND WOULD NOW PREFER IGNORE THE WHOLE BUSINESS RATHER THAN AGREE TO TAKE LESSER PRICE.

6. WHETHER OR NOT THE GHANIANS RECEIVE DISCOUNT OR SOME OTHER FORM OF PAYMENT PARTIALLY OFFSETTING THE CONTRACT PRICE, THEY APPEAR TO HAVE BEEN USED (HOWEVER NAIVELY) BY THE NIGERIANS (1) TO REAFFIRM POSITION THAT EVEN NEEDY AFRICAN COUNTRIES MUST PAY FULL "MARKET PRICE" AND (2) TO FORCE THE HAND OF PRIVATE COMPANIES UNWILLING TO SIGN AT \$22.60 UNLESS OTHERS HAVE ALREADY DONE SO. IF GHANAIANS FIND THEMSELVES HOLDING THE ONLY \$22.60/BARREL CONTRACT, THEY SEEM LIKELY TAKE DIM VIEW OF BEHAVIOR THEIR NIGERIAN "BROTHERS"-WHICH IS PERHAPS ONE REASON WHY FMG STILL UNWILLING TO SIGN CONTRACT AT LOWER PRICE WITH OTHER POTENTIAL BUYERS.
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